

STATE BOARD MEETING DATE

September 25, 2006

SUBJECT: Consideration to Determine Non-Compliance with the USFR for Gila Bend Unified School District No. 24

SUBMITTED BY: Chad Sampson, Assistant Attorney General

BACKGROUND INFORMATION:

Under Arizona law, Gila Bend Unified School District No. 24 (the “District”) must spend and account for public funds in accordance with the Uniform System of Financial Records (“USFR”). Jointly developed by the Arizona Department of Education and the Arizona Auditor General’s Office (“Auditor General”), the USFR incorporates finance-related laws and regulations as well as generally accepted accounting principals applicable to school districts. The Auditor General is responsible for assessing whether school districts are in compliance with the USFR, and notifying the Department of Education when they are not. *A.R.S. §15-271*. Based on the Auditor General’s reports, the State Board of Education may direct the Superintendent of Public Instruction to withhold any portion of state funds from school districts that are out of compliance with the USFR. *A.R.S. §15-272*. State funds will be withheld until the Auditor General reports that the district has come into compliance with the USFR. *A.R.S. §15-272*.

- The District failed to submit its 2005 Annual Audit Report and Compliance Questionnaire, which were due on March 31, 2006.
- In addition, the Auditor General has reports that the District is out of compliance with the USFR as of June 30, 2004 for the following reasons based on the District’s 2004 Annual Signal Audit and Compliance Questionnaire:
 - The District failed to maintain accurate capital assets and stewardship lists;
 - The District failed to follow competitive purchasing requirements;
 - The District needs to strengthen its control over auxiliary operations and student activities monies;
 - The District needs to improve its controls over payroll processing; and
 - The District needs to improve its controls over food service cash receipts.
- The Department of Education is currently withholding 5% of the District’s state funds for previously remedied USFR violations.

**BOARD ACTION REQUESTED: [] INFORMATION [X] ACTION
DESCRIBE BELOW:**

The Board has the following options:

- 1. Move to determine that the District is out of compliance with the USFR based on the reports of the Auditor General and move to direct the Superintendent of Public Instruction to withhold 10% of state funds from the district until the Auditor General reports that the district is in compliance with the USFR;**
- 2. Move to determine that the District is out of compliance with the USFR based on the report of the Auditor General and move to direct the Superintendent of Public Instruction to withhold some other portion of state funds from the district until the Auditor General reports that the district is in compliance with the USFR; or**
- 3. Refuse to take action against the District at this time.**

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